

1 M. Belfonti

2 Q. I understand that, but did you form  
3 an understanding as to whether, for example,  
4 those two loans had to be paid back first,  
5 before there'd be repayment of this alleged \$4.8  
6 million loan?

7 A. I need the question again.

8 MR. MERVIS: Go ahead.

9 (The record was read.)

10 A. I need it again. Can you break it  
11 down, actually?

12 Q. Yes, I'll try to break it down.  
13 Do you understand what it means for  
14 debt to be subordinated?

15 A. Yes.

16 Q. What's your understanding of that  
17 term?

18 A. That the debt that Wachovia, as an  
19 example, would give, would be in first position  
20 over anything else.

21 Q. So with respect to -- so what's your  
22 understanding does that mean with respect to any  
23 other indebtedness that AHE incurred?

24 A. I'm having a tough time with the  
25 question.

1 M. Belfonti

2 Q. You understood, didn't you, that the,  
3 that BCP Florin couldn't repay Petra's loan  
4 before AHE paid off Wachovia's loan in full;  
5 right?

6 A. You need to repeat it.

7 (The record was read.)

8 A. That is correct.

9 Q. Was it also your understanding that  
10 AHE could not repay this alleged \$4.8 million  
11 loan until Wachovia's loan was repaid in full?

12 A. No.

13 Q. So if I have your testimony correct,  
14 you felt that it was most important to pay the  
15 Wachovia loan; right?

16 A. That is correct.

17 Q. Secondly important to pay the Petra  
18 loan?

19 A. Correct.

20 Q. This alleged \$4.8 million loan came  
21 in third, basically?

22 A. Well, depending.

23 Q. Depending on what?

24 A. If there was enough operating cash  
25 flow from the property, we would have been able

1 M. Belfonti

2 to retire these four loans that were made. But  
3 unfortunately, the hotel never made money, and  
4 we weren't able to pay these back. These were  
5 operational loans.

6 Q. Let me make sure I understand your  
7 testimony.

8 When you say "these four loans," you  
9 are referring to what exactly?

10 A. Seven loans, excuse me.

11 Q. You are referring, when you say,  
12 "seven loans," you are referring --

13 A. I meant four entities, seven loans.

14 Q. You are referring to the seven line  
15 items on the chart on the fourth page of Exhibit  
16 6; correct?

17 A. I am.

18 Q. When you say, "we," who is "we"?

19 A. I.

20 Q. Michael Belfonti?

21 A. Yes.

22 Q. From where, Mr. Belfonti, did --

23 MR. MERVIS: Withdrawn.

24 Q. With respect to this \$4.8 million  
25 alleged loan from BCP to AHE, did BCP have any

1 M. Belfonti

2 expectation as to where the source of the funds  
3 to repay the loan would come from?

4 A. From a capital event or cash flow  
5 from the property.

6 Q. So I understand, a capital event  
7 would be somebody buying the hotel?

8 A. Could be a sale.

9 Q. Or an outside investor coming in,  
10 putting money in?

11 A. Could be a refinance.

12 Q. Cash flow from the property, by that  
13 you mean cash generated by the operation of the  
14 hotel?

15 A. I do.

16 Q. Did AHE attempt to find financing  
17 from any other source before agreeing to accept  
18 this alleged \$4.8 million loan?

19 A. No.

20 Q. Why not?

21 A. No one would have lent this money on  
22 an unsecured basis to AHE.

23 Q. How do you know that?

24 A. My years and experience in the real  
25 estate business.

1 M. Belfonti

2 Q. What about applying that experience  
3 to the particular facts of the transaction, why  
4 do you reach that conclusion?

5 A. Well, first of all, the loans were  
6 unsecured. And I don't think anyone would have  
7 lent monies unsecured, except related entities  
8 that I controlled.

9 And secondly, there was no collateral  
10 associated with any of these loans.

11 Q. Again, by "these loans," you are  
12 referring to the transaction identified on the  
13 chart on the last page of Exhibit 6?

14 A. I am.

15 Q. Is there a, is this alleged \$4.8  
16 million loan from BCP to AHE, is there a loan  
17 agreement that memorializes that alleged loan?

18 A. There is not.

19 Q. Is there any reading signed by AHE or  
20 any representative of AHE that memorializes this  
21 alleged \$4.8 million loan?

22 A. No.

23 Q. Is there any writing signed by or by  
24 a representative of BCP memorializing this  
25 alleged \$4.8 million loan?

1 M. Belfonti

2 A. No.

3 Q. To your knowledge, was --

4 MR. MERVIS: Withdrawn.

5 Q. Was AHE's supervisory board of  
6 directors ever asked to approve this alleged  
7 \$4.8 million loan?

8 A. No.

9 Q. Do you know why not?

10 A. Nobody asked.

11 Q. I'm sorry?

12 A. Nobody asked.

13 Q. Who would you have expected to ask,  
14 Mr. Belfonti?

15 A. Well, this money was put up before I  
16 owned AHE. So there was nobody to ask.

17 Q. The alleged \$4.8 million loan  
18 continued, at least in your view, to be a debt  
19 of AHE going forward?

20 A. That's correct, once it was put on  
21 the books.

22 Q. Why, Mr. Belfonti, if you know,  
23 wasn't AHE's supervisory board asked to approve  
24 the alleged loan at anytime going forward?

25 A. I didn't think I had to.

1 M. Belfonti

2 Q. Do you have any idea who calculated  
3 this, the amount that is reflected in the first  
4 line item of the chart on Exhibit 6, this  
5 \$4,873,702.86?

6 A. Exhibit 6?

7 Q. Yes, the fourth page.

8 A. I would think it would be Victoria.

9 Q. I want you to still have Exhibit 6  
10 handy, because we're going to be referring to  
11 it. That's the Sjiem Fat letter.

12 It's correct, isn't it, that the  
13 entirety of the alleged \$4.8 million loan exists  
14 of money that you spent to buy the hotel?

15 A. That is correct.

16 Q. You think that's a loan?

17 A. It is a loan.

18 Q. Do you know what a capital  
19 contribution is?

20 A. I do.

21 Q. Is there a difference in your mind  
22 between a loan and a capital contribution?

23 A. There is.

24 Q. What's the difference?

25 A. Well, usually with a capital

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M. Belfonti

contribution, the money that's put in as capital. You would get something in return for that. So you would get ownership.

None of these loans that were put up resulted in any ownership for the entities that put them up.

So if I can look at your chart here, Belfonti Capital Partners LLC, Belfonti Holdings LLC, Belfonti Capital Partners LLC, MCR, the money that came out of my mom's trust, none of those entities had a beneficial interest in AHE. So how could it ever be capital?

MR. MERVIS: This is probably as good a time as ever if you want to break.

(Luncheon recess: 12:18 p.m.)

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M. Belfonti

A F T E R N O O N S E S S I O N

(Time noted: 1:10 p.m.)

M I C H A E L B E L F O N T I, resumed and testified as follows:

C O N T I N U E D E X A M I N A T I O N

B Y M R . M E R V I S :

Q. Mr. Belfonti, in connection with the alleged \$4.8 million BCP loan, was BCP represented by counsel?

A. In relation to the loan?

Q. In relation to the making of the loan.

A. No.

Q. Was AHE represented by counsel in connection with the receiving of the loan?

A. No.

Q. You mentioned, I think, an individual who worked in your New York office named Stephan Resnick?

A. Yes.

Q. Is that someone who still works for you?

A. Non.

Q. When did he stop working for you?

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1 M. Belfonti

2 A. Sometime in 2007.

3 Q. What was his, what were his duties  
4 and responsibilities while he worked in the  
5 New York office?

6 A. He was responsible mostly for the  
7 construction management of the hotel, converting  
8 it from a Wyndham to a Westin.

9 Q. Did he, to your knowledge, work for  
10 AHE at any time?

11 A. No.

12 Q. Provide any services for AHE?

13 MR. MERVIS: Withdrawn. Bad  
14 question.

15 Q. Do you know where he is today?

16 A. Works for Starwood.

17 Q. Going back to the chart on the fourth  
18 page of Exhibit 6.

19 Directing your attention to the  
20 second entry from the top, do you know what --  
21 that's the one that starts July 25, 2006.

22 Do you know what transaction is  
23 represented by that line?

24 A. I do.

25 Q. What transaction is that?

1 M. Belfonti

2 A. As part of the Starwood management  
3 contract, we had to keep approximately \$500,000  
4 in the account with them.

5 Q. Let me back up.

6 First of all, who is "we"?

7 A. I, AHE.

8 Q. AHE, the entity that you were in  
9 control of at the time?

10 A. Correct.

11 Q. Starwood, I think you described as  
12 the manager of the hotel.

13 What did you mean by that?

14 A. They were the management company of  
15 the hotel.

16 Q. That was pursuant to an agreement  
17 that AHE -- that you, on behalf of AHE, entered  
18 into with Starwood?

19 A. That is correct.

20 Q. So the figure \$499.950 in the chart  
21 on page 4 of Exhibit 6, that is money, that's  
22 money that was given to Starwood; is that  
23 correct?

24 A. That is correct.

25 Q. Who, what entity gave that money to

1 M. Belfonti

2 Starwood?

3 A. I'm not sure.

4 Q. Does the entry in the second line on  
5 this chart, on the fourth page of Exhibit 6,  
6 represent, in your mind, a loan from Belfonti  
7 Holdings to AHE?

8 A. Yes.

9 Q. All right, I think just again for  
10 brevity sake, I will refer to this as the  
11 alleged \$500,000 Belfonti Holdings loan; that  
12 okay?

13 A. Sure.

14 Q. Who, with Belfonti Holdings, decided  
15 to make this loan, the alleged \$500,000 loan?

16 A. It was prompted by a call from  
17 Starwood saying that we needed to put money in  
18 this working capital account.

19 Q. Who placed the call from Starwood?

20 A. I'm not sure.

21 Q. Who received the call from Starwood?

22 A. It could have been a call or an  
23 e-mail, but I don't recall.

24 Q. Who received the communication on  
25 your side?

1 M. Belfonti

2 A. It would be either me or Victoria.

3 Q. So either you or Victoria -- it came  
4 to your attention that Starwood had made a  
5 request for \$500,000; is that right?

6 A. That is correct.

7 Q. In response to that, what did you do?

8 A. We wired a loan to AHE in the amount  
9 of \$500,000.

10 Q. Who is "we"?

11 A. I.

12 Q. From what entity did you -- did that  
13 money come out of?

14 A. I'm not sure. The chart here says  
15 Belfonti Holdings, so it's stands to reason  
16 that's who loaned the money.

17 Just as a footnote, the 499,950  
18 should be 500, but I think there was a \$25 or  
19 \$50 wiring fee, and that's why it only shows  
20 499,950.

21 Q. When you say "it should be 500," what  
22 do you mean by the?

23 A. That's the exact number. But there  
24 was \$50 taken off for the wire.

25 Q. In your mind, Mr. Belfonti, what was

1 M. Belfonti

2 the amount of the loan to AHE?

3 A. \$499,950.

4 Q. So you didn't charge AHE for the \$25  
5 or \$50 wire fee; is that your testimony?

6 A. I guess not.

7 Q. Who, what individual, on behalf of  
8 Belfonti Holdings, agreed to make this loan?

9 A. I did.

10 Q. What individual, on behalf of AHE,  
11 agreed to accept this loan?

12 A. I did.

13 Q. Was there any negotiation concerning  
14 the terms of the alleged \$500,000 Belfonti  
15 Holdings loan?

16 A. No.

17 Q. By the way, I may have neglected to  
18 ask this.

19 Going back to the \$4.8 million  
20 alleged BCP loan, was there a due date for the  
21 loan?

22 In other words, a date by which it  
23 had to be repaid?

24 A. No.

25 Q. With respect to the alleged \$500,000

1 M. Belfonti

2 Belfonti Holdings loan, was there a maturity or  
3 due date for that loan?

4 A. No.

5 Q. Was there any payment schedule?

6 A. No.

7 Q. Was there any requirement that AHE  
8 pay interest on the alleged loan?

9 A. No.

10 Q. Was any security given by AHE for the  
11 alleged loan?

12 A. No.

13 Q. To your knowledge, were any  
14 restrictions placed on how the proceeds of the  
15 alleged \$500,000 Belfonti Holdings loan could be  
16 used?

17 A. Yes.

18 Q. On what restrictions were those?

19 A. They would only remain in the  
20 operating account of AHE that Starwood  
21 controlled.

22 Q. Who imposed those restrictions?

23 A. It's part of the management  
24 agreement.

25 Q. So that wasn't a restriction imposed

1 M. Belfonti

2 by Starwood?

3 A. That is correct.

4 Q. It was not a restriction imposed by  
5 the alleged lender; correct?

6 A. That is correct.

7 Q. There was no understanding between  
8 the alleged lender and the alleged borrower as  
9 to how the proceeds of the loan -- as to whether  
10 there will be any restrictions on the proceeds  
11 of the loan; is that correct?

12 A. Could you read that?

13 Q. I will just rephrase it.

14 Was there any understanding, was  
15 there any understanding between Belfonti  
16 Holdings, on the one hand, and AHE, on the other  
17 hand, as to whether there were any restrictions  
18 on how the proceeds of the alleged loan could be  
19 used?

20 A. It was general knowledge that it was  
21 a working capital loan that Starwood was going  
22 to control.

23 So I think everybody at AHE knew  
24 that. Marieta Ras knew it at AHE, and Victoria  
25 knew it at Belfonti, as I did.

1 M. Belfonti

2 Q. Was there any understanding, either  
3 on the Belfonti Holdings side or on the AHE  
4 side, as to whether the alleged \$500,000  
5 Belfonti Holdings loan would be subordinated to  
6 any other obligation of AHE?

7 A. No.

8 Q. From what source did Belfonti  
9 Holdings expect to receive repayment of the  
10 alleged \$500,000 Belfonti Holdings loan?

11 A. Again, as I stated, in the first \$4.8  
12 million, a capital event would have triggered a  
13 payback to Belfonti Holdings, either a sale or  
14 refinance or cash from operations.

15 Q. Or cash from operations?

16 A. Yes.

17 Q. Did AHE make any effort to obtain  
18 this amount, the \$500,000 amount from any other  
19 source?

20 A. No.

21 Q. Why not?

22 A. As in the first \$4.8 million, there  
23 was no one willing to lend the \$500,000 on an  
24 unsecured basis, without collateral.

25 Q. Is there any writings signed by any

1 M. Belfonti  
2 representative of AHE that memorializes the  
3 alleged \$500,000 Belfonti Holdings loan?

4 A. No.

5 Q. Is there any writing signed by any  
6 representative of Belfonti Holdings that  
7 memorializes the alleged \$500,000 Belfonti  
8 Holdings loan?

9 A. No.

10 Q. Does Belfonti Capital Partners/BCP  
11 have a general ledger?

12 A. Yes.

13 Q. Who maintains that?

14 A. Our accounting department.

15 Q. Do you have any responsibility at all  
16 for the maintenance of the BCP general ledger?

17 A. I do not.

18 Q. Did you ever look at it?

19 A. On occasion.

20 Q. Do you know what any of the account  
21 codes mean?

22 A. Just to the different entities, the  
23 properties that I might have.

24 Q. Does MCR have a general ledger?

25 A. Yes.

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1

M. Belfonti

2

would have recorded the alleged \$500,000

3

Belfonti Holdings loan, as a loan on AHE's

4

books?

5

A. As a loan receivable on AHE's books.

6

Q. Pursuant to Ms. Carpenter's

7

instructions?

8

A. Yes.

9

Q. Was the alleged \$500,000 --

10

MR. MERVIS: Actually, withdrawn.

11

Q. Apart from Ms. Ras, was there

12

anybody else at AHE who was aware of the alleged

13

\$500,000 Belfonti Holdings loan?

14

A. Possibly, Alcira.

15

Q. The comptroller?

16

A. Yes.

17

Q. What makes you think that that's a

18

possibility?

19

A. Well, she worked daily with Marieta,

20

and they do -- did all the books together for

21

AHE.

22

Q. Did you ever make Alcira aware of the

23

alleged \$500,000 Belfonti Holdings loan?

24

A. No.

25

Q. Did she ever tell you that she was

1 M. Belfonti

2 aware of the alleged \$500,000 Belfonti Holdings  
3 loan?

4 A. No.

5 Q. Did Ms. Ras ever tell you that she  
6 was aware of the alleged \$500,000 Belfonti  
7 Holdings loan?

8 A. No.

9 Q. Was Belfonti Holdings represented by  
10 counsel in connection with its making of the  
11 alleged \$500,000 loan?

12 A. No.

13 Q. Was AHE represented by counsel in  
14 connection with its receipt of the alleged  
15 \$500,000 loan?

16 A. No.

17 Q. Was the alleged \$500,000 loan ever  
18 presented to AHE's board of supervisory  
19 directors for approval?

20 A. Not that I recall.

21 Q. I think you said that there was one,  
22 during your tenure as a supervisory director of  
23 AHE, that there was a grand total of one meeting  
24 of the board of supervisory directors; is that  
25 right?

1 M. Belfonti

2 A. That is correct.

3 Q. Was approval of the alleged \$500,000  
4 Belfonti Holdings loan on the agenda of that  
5 meeting?

6 A. Not that I recall.

7 MR. MERVIS: Mark this, please.

8 (Belfonti Exhibit 9, a document,  
9 marked for identification, as of this  
10 date.)

11 Q. Mr. Belfonti, we have had marked for  
12 identification as Exhibit 9, a document that was  
13 produced by your counsel.

14 It's very heavily redacted, but I  
15 will ask you if you are able to recognize the  
16 exhibit, notwithstanding those redactions?

17 A. No.

18 Q. Taking a look at the first page on  
19 the left-hand -- well, on the left-hand side,  
20 there's a code under account I.D.; you see that  
21 1,000?

22 A. I do.

23 Q. And a description cash operating.

24 Do you know what either of those,  
25 either the code or the description mean?

1 M. Belfonti

2 A. No.

3 Q. Going to the second page of the  
4 exhibit, going down the page to the, on the  
5 left-hand side to the third entry -- actually, I  
6 guess it's the fourth entry, you will see  
7 there's a code 2206; see that?

8 A. I do.

9 Q. Do you know what that code is for?

10 A. I don't.

11 Q. You will see a line that says,  
12 underneath it that says, "Due to from Aruba  
13 Hotel"; see that?

14 A. I do.

15 Q. Do you know what that description  
16 means?

17 A. I don't.

18 Q. Is this something that, to your  
19 understanding, Ms. Carpenter would have  
20 knowledge of?

21 A. Yes.

22 Q. Okay, you can put that aside.

23 Going back to Exhibit 6, please, and  
24 to the chart, page 4, and directing your  
25 attention to the third line item from the top,

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1 M. Belfonti

2 the one that has the date, starts with the date  
3 December 8, 2006; do you see that?

4 A. I do.

5 Q. Do you have an understanding as to  
6 what this line, what transaction this line  
7 represents?

8 A. I do.

9 Q. What?

10 A. Wachovia had set aside a \$10 million  
11 interest reserve account that was to be used to  
12 carry the hotel as it related to any financial  
13 shortfalls.

14 And by December of '06, we had gone  
15 through that \$10 million. And in order to keep  
16 the hotel, we need another \$393,000 or risk  
17 going into default on the mortgage.

18 Q. In that answer, you used the word  
19 "we" a number of times. Who is we?

20 A. I. I always refer to everyone so it  
21 looks like a team, so, but it's me.

22 Q. You said there's a \$10 million  
23 interest reserve fund?

24 A. There was, yes.

25 Q. That was, that money was supposed to

1 M. Belfonti

2 be used to make interest payments on the  
3 Wachovia loan; is that right?

4 A. It was.

5 Q. Was it intended, was it intended in  
6 any way, shape or form to actually fund the  
7 operations of the hotel?

8 A. Yes.

9 Q. That too?

10 A. That also.

11 Q. So if I am understanding correctly,  
12 by December of '06, you had essentially used up  
13 that entire fund; is that right?

14 A. That is correct.

15 Q. Is that because the hotel was  
16 performing less favorably than had been  
17 projected?

18 A. That is correct.

19 Q. So if I'm understanding it correctly,  
20 you, as the borrower on the Wachovia loan,  
21 needed to find \$393,000 to make payment; is that  
22 right?

23 A. That is correct.

24 Q. If you hadn't made that payment, what  
25 could have happened?

1 M. Belfonti

2 A. The loan could have gone into  
3 default.

4 Q. What effect would that have had, if  
5 any, on AHE?

6 A. They would have been in default of  
7 their obligation with the Wachovia loan.

8 Q. Would that have, for example, caused  
9 the hotel to stop operating?

10 A. No.

11 Q. Would it have caused AHE to go out of  
12 business?

13 A. No.

14 Q. It would have, could have caused you,  
15 Michael Belfonti, to lose your equity interest  
16 in AHE; correct?

17 A. That is correct.

18 Q. Can you think of any other  
19 consequence that would have occurred, had you  
20 not come up with the \$393,000 to make the  
21 interest payment to Wachovia?

22 A. No.

23 Q. Is the transaction that's reflected  
24 on the third line of the chart on page 4 of  
25 Exhibit 6, is that, in your mind, representative

1 M. Belfonti

2 of a loan to AHE?

3 A. Which one are you referring to?

4 Q. The one, the third line from the top,  
5 the one that starts December 8, 2006.

6 A. In the amount of 393,000?

7 Q. That's right, that's right.

8 Is that, in your mind, a loan from  
9 somebody to AHE?

10 A. It is.

11 Q. Who is the lender?

12 A. Belfonti Capital Partners LLC.

13 Q. Who is the borrower?

14 A. AHE.

15 Q. Who on the BCP, on the lender's side

16 --

17 MR. MERVIS: Withdrawn.

18 Q. Again, I'm going to shorthand this  
19 and refer to it as the \$393,000 BCP loan; okay?

20 A. Yes.

21 Q. Who on the BCP side made the decision  
22 to grant this loan?

23 A. Me.

24 Q. Who on the lender's side, on the --  
25 I'm sorry, borrower's side, AHE, made the

1 M. Belfonti

2 decision to accept the alleged \$393,000 BCP  
3 loan?

4 A. Me.

5 Q. Was there any negotiation concerning  
6 the terms of the alleged \$393,000 loan?

7 A. No.

8 Q. Was there a maturity or due date for  
9 the repayment of the alleged \$393,000 BCP loan?

10 A. No.

11 Q. Was there a payment schedule for the  
12 alleged \$393,000 BCP loan?

13 A. No.

14 Q. Was there any requirement for --  
15 MR. MERVIS: Withdrawn.

16 Q. Did AHE have any obligation to pay  
17 interest on the alleged \$393,000 BCP loan?

18 A. Not right away.

19 Q. What do you mean by "not right away"?

20 A. Possibly at a later date, there would  
21 have been interest charged.

22 Q. Who -- well, at the time that the, at  
23 the time that you or your company BCP, BCP made  
24 this alleged loan, did you have an understanding  
25 that there would be an interest charge to AHE at

1 M. Belfonti

2 some point in the future?

3 A. Sometime in the future.

4 Q. What was that understanding?

5 A. It would have been marked at Aruban  
6 rates, something fair and equitable.

7 Q. Was that in your mind at the time  
8 that you decided to make this alleged loan?

9 A. No.

10 Q. When did it first occur to you,  
11 Mr. Belfonti, that AHE would need to pay  
12 interest on the alleged \$393,000 BCP loan?

13 A. It didn't.

14 Q. So was today the first time that that  
15 thought occurred to you?

16 A. No.

17 Q. Let me go back to my original  
18 question then.

19 Was there any obligation for AHE to  
20 pay interest on the alleged \$393,000 BCP loan?

21 A. No.

22 Q. Was any security given by AHE for the  
23 alleged \$393,000 BCP loan?

24 A. No.

25 Q. Was there any understanding that the

1 M. Belfonti

2 alleged \$393,000 BCP loan be subordinated to any  
3 other obligation that AHE had at the time?

4 A. I think that was the same question as  
5 before, but I'd like to hear it again, please.

6 Q. You can always hear it again.

7 A. Read that back, please?

8 (The record was read.)

9 A. No.

10 Q. Did BCP place any restrictions on AHE  
11 as to how the proceeds of the alleged \$393,000  
12 BCP loan could be used?

13 A. Well, it went directly to the lender,  
14 so I guess that was a restriction.

15 Q. Went directly to Wachovia?

16 A. Yeah.

17 Q. From what source did BCP expect the  
18 alleged \$393,000 BCP loan to be repaid?

19 A. When there was a capital event.

20 Q. Any other possibility that you had in  
21 mind at the time?

22 A. Just cash flow, operating cash flow.

23 Q. From the operation of the hotel?

24 A. Yes.

25 Q. Did AHE attempt to secure this

1 M. Belfonti

2 \$393,000 from any other source?

3 A. No.

4 Q. Why not?

5 A. Because no one would lend AHE this  
6 money because it was unsecured, and there was no  
7 collateral.

8 Q. Is there any writing signed by a  
9 representative of AHE memorializing the alleged  
10 \$393,000 BCP loan?

11 A. No.

12 Q. Is there any writing signed by any  
13 representative of BCP, memorializing the alleged  
14 \$393,000 BCP loan?

15 A. No.

16 Q. Was BCP represented by counsel in  
17 connection with the making of the alleged  
18 \$393,000 BCP loan?

19 A. No.

20 Q. Was AHE represented by counsel in  
21 connection with the making of the alleged  
22 \$393,000 BCP loan?

23 A. No.

24 Q. Who, apart from yourself, at BCP, was  
25 aware of the alleged \$393,000 loan, prior to the

1 M. Belfonti

2 time that you lost your ownership interest in  
3 AHE?

4 A. Victoria Carpenter.

5 Q. How was she -- how, how was she made  
6 aware of the alleged \$393,000 BCP loan?

7 A. Because she booked it as a loan.

8 Q. On whose books?

9 A. On Belfonti Capital Partners' books.

10 Q. Who at AHE was aware of the existence  
11 of the alleged \$393,000 BCP loan, prior to the  
12 time that you lost your ownership interest in  
13 AHE?

14 A. Marieta Ras.

15 Q. How do you know that?

16 A. Because she would have been asked to  
17 book it as a loan payable back to Belfonti  
18 Capital Partners.

19 Q. Asked by whom?

20 A. By Victoria.

21 Q. Victoria Carpenter?

22 A. Yes.

23 Q. Book it in whose books?

24 A. In the books of AHE.

25 Q. Anybody else at AHE aware of the

1 M. Belfonti

2 alleged --

3 MR. MERVIS: Withdrawn.

4 Q. Did you ever make Ms. Ras aware of  
5 the existence of the alleged \$393,000 BCP loan?

6 A. I did not.

7 Q. Did Ms. Ras ever say to you that she  
8 was aware of the existence of the alleged  
9 \$393,000 BCP loan?

10 A. Not that I can remember.

11 Q. Was there anybody else at AHE who was  
12 aware of the existence of the alleged \$393,000  
13 BCP loan?

14 A. Possibly, Alcira.

15 Q. Why do you say "possibly"?

16 A. Because I don't know for a fact if  
17 she talked to her about that, but I would think  
18 because she was her assistant, she might know  
19 about it.

20 Q. You never spoke with Alcira about the  
21 alleged \$393,000 BCP loan; correct?

22 A. I did not.

23 Q. Was the alleged \$393,000 BCP loan  
24 ever presented to AHE's supervisory board for  
25 approval?

1 M. Belfonti

2 A. No.

3 Q. Why not?

4 A. It was an intercompany loan, and we  
5 didn't or I didn't see any reason to do so.

6 Q. With respect to the alleged \$500,000  
7 Belfonti Holdings loan, why wasn't that  
8 presented to the supervisory board for approval?

9 A. Same reason.

10 Q. Being?

11 A. Being that I didn't think it was  
12 necessary.

13 MR. MERVIS: Mark this, please.

14 (Belfonti Exhibit 10, a document,  
15 marked for identification, as of this  
16 date.)

17 Q. Mr. Belfonti, you've been handed what  
18 has been marked for identification as Exhibit  
19 10.

20 I will ask you, sir, if you recognize  
21 the document?

22 A. I do not.

23 Q. There's handwriting in the middle of  
24 the document.

25 Do you recognize any of that

1 M. Belfonti

2 handwriting?

3 A. I do not.

4 Q. You can put it aside.

5 Forgive me if I've already asked  
6 this, but was BCP represented by counsel in  
7 connection with the making of the alleged  
8 \$393,000 BCP loan?

9 A. No.

10 Q. Was AHE represented by counsel in  
11 connection with that alleged loan?

12 A. No.

13 Q. Going back to Exhibit 6, please, and  
14 the chart on page 4.

15 The next two entries bear the same  
16 date and the same amount; see that?

17 A. I do.

18 Q. Are those two entries addressed to  
19 the same transaction or to different  
20 transactions?

21 A. I believe it's the same.

22 Q. Do you know why -- well, let me ask  
23 it differently.

24 First of all, the dates are wrong;  
25 aren't they?

1 M. Belfonti

2 to AHE?

3 A. Yes.

4 Q. Who, in your mind, is the lender or  
5 was the lender?

6 A. MCR Property Management.

7 Q. Not Harlow, Adams & Friedman?

8 A. No.

9 Q. Who, on behalf of MCR, decided to  
10 make this loan, this alleged loan?

11 A. I did.

12 Q. Actually, I will shorthand it and  
13 we'll call this the \$1.3 million MCR loan; okay?

14 A. That's fine.

15 Q. Who, on behalf of AHE, agreed to  
16 accept the \$1.3 million alleged MCR loan?

17 A. I did.

18 Q. Was there any negotiation concerning  
19 the terms of the alleged \$1.3 million MCR loan?

20 A. No.

21 Q. Was there a payment schedule for the  
22 repayment of the alleged \$1.3 million MCR loan?

23 A. No.

24 Q. Was there, did AHE have an obligation  
25 to pay interest on the alleged \$1.3 million MCR

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1 M. Belfonti

2 loan?

3 A. No.

4 Q. Was there a due date or a maturity  
5 date for the alleged \$1.3 million MCR loan?

6 A. No.

7 Q. Was any security given by AHE for the  
8 alleged \$1.3 million MCR loan?

9 A. No.

10 Q. Was there any understanding that the  
11 alleged \$1.3 million MCR loan would be  
12 subordinated to any of AHE's existing  
13 obligations?

14 A. No.

15 Q. Did MCR place any restrictions on  
16 what or how AHE could use the proceeds of the  
17 alleged \$1.3 million MCR loan?

18 A. It went directly to Wachovia.

19 Q. That was to pay, that was to make  
20 AHE's mortgage payment?

21 A. Correct.

22 Q. So that you didn't lose the hotel;  
23 correct?

24 A. Yes.

25 Q. From what source did MCR expect to be

1 M. Belfonti

2 repaid the \$1.3 million MCR loan?

3 A. From a capital event or from the cash  
4 from operations of the hotel.

5 Q. Did AHE attempt to obtain this  
6 approximately \$1.3 million from any other  
7 source?

8 A. No.

9 Q. Why not?

10 A. Because no other source was available  
11 for an unsecured loan without collateral.

12 Q. In other words, to your  
13 understanding, no lender would agree to make  
14 this loan without security?

15 A. That is correct.

16 Q. Is there any writing signed by AHE  
17 which memorializes --

18 MR. MERVIS: Withdrawn.

19 Q. Is there any writing signed by a  
20 representative of AHE or on AHE's behalf, that  
21 memorializes the alleged \$1.3 million MCR loan?

22 A. No.

23 Q. Is there any writing signed by a  
24 representative of MCR that memorializes the  
25 alleged \$1.3 million MCR loan?

1 M. Belfonti

2 First of all, that date is wrong;

3 isn't it?

4 A. Yes.

5 Q. Is should be '07; right?

6 A. It should be.

7 Q. Do you know what transaction is

8 referenced in that line item on the chart?

9 A. The 548?

10 Q. Yes.

11 A. That was a loan that the trust made.

12 I believe, I believe the trust made the loan to

13 Wachovia or excuse me, the trust made the loan

14 to AHE.

15 Q. So your testimony is that the CEB

16 Irrevocable Trust made a loan to AHE?

17 A. It was wired, yes, that is correct.

18 Q. The amount of the loan was what

19 exactly?

20 A. \$548,250.

21 Q. Let me again, for shorthand, I will

22 refer to this as the CEB loan; okay?

23 A. Okay.

24 Q. Who on the CEB side decided to make a

25 loan to AHE?

1 M. Belfonti

2 A. Dana Friedman and myself.

3 Q. Was Mr. Friedman acting as counsel in  
4 making that decision?

5 A. For the trust.

6 Q. He was acting as counsel for the  
7 trust?

8 A. Correct.

9 Q. To your understanding, did both of  
10 you have to approve the CEB loan in order for it  
11 to be made?

12 A. I believe so.

13 Q. Both of you did approve it?

14 A. Yes.

15 Q. The borrower that you approved was  
16 AHE?

17 A. Yes.

18 Q. Who on the AHE -- who on behalf of  
19 AHE agreed to accept the CEB loan?

20 A. No one. Again, this went directly to  
21 Wachovia.

22 Q. I understand what you are saying.  
23 You are saying the funds were  
24 transferred directly to Wachovia; correct?

25 A. That is correct.

1 M. Belfonti

2 Q. They never went through AHE's  
3 account?

4 A. No.

5 Q. But you claimed on you that AHE was a  
6 borrower from CEB; right?

7 A. That is correct.

8 Q. Who from AHE agreed to be the  
9 borrower?

10 A. Me.

11 Q. Did your mother know about this loan  
12 at the time it was made, this alleged CEB loan?

13 A. Yes.

14 Q. Your father, did he know about this  
15 alleged CEB loan at the time it was made?

16 A. My dad might have been ill at this  
17 time, so I don't know.

18 Q. Was there any negotiation concerning  
19 the terms of the alleged CEB loan?

20 A. Dana Friedman required that my mom  
21 mortgage her home. So the trust secured its  
22 \$500,000 that it lent to my mom with the  
23 collateral from my mom's house.

24 Q. You are saying that CEB made a loan  
25 to your mother, not to AHE?

1 M. Belfonti

2 A. To my mom, and then my mom, in turn,  
3 gave it to AHE.

4 Q. I see.

5 A. I believe that's how it went.

6 Q. Was there any negotiation between  
7 CEB, on the one hand, and AHE, on the other  
8 hand, concerning the terms of the alleged CEB  
9 loan?

10 A. No.

11 Q. Was there any negotiation between  
12 your mother, on the one hand, and AHE, on the  
13 other hand, concerning the terms of the alleged  
14 CEB loan?

15 A. No.

16 Q. Did you and Mr. Friedman --

17 MR. MERVIS: Withdrawn.

18 Q. Did Mr. Friedman negotiate with any  
19 representative of AHE concerning the terms of  
20 the alleged CEB loan?

21 A. No.

22 Q. Was there a payment schedule for the  
23 alleged CEB loan?

24 A. No.

25 Q. Was AHE required to pay interest on

1 M. Belfonti

2 the alleged CEB loan?

3 A. Yes.

4 Q. What were the specifics of AHE's  
5 obligation to pay interest on the alleged CEB  
6 loan?

7 A. Well, as with the CEB loan and all  
8 other loans before, all our intercompany loans  
9 carry a rate of 12 percent, and it was an  
10 implied return back to CEB of 12 percent.

11 Q. When you say all of our intercompany  
12 loans carry a rate of 12 percent, what do you  
13 mean by that?

14 A. Well, any entity that lends to  
15 another entity -- take ourselves out of Aruba  
16 for a second.

17 Q. Sure.

18 A. Any entity that lends to a  
19 Connecticut entity from MCR to maybe another  
20 Connecticut entity, when there is a capital  
21 event like a refinance or a sale of the asset,  
22 that borrowed the money from MCR or generates it  
23 from cash flow, the loan is paid, the principal  
24 amount of the loan is paid back. And then  
25 there's a 12 percent interest rate attached to

1 M. Belfonti

2 it.

3 Q. That's true for every loan that you  
4 know of between two entities that you have an  
5 ownership interest in?

6 A. Unless it's a very short-term  
7 liability, like a week or something like that,  
8 we probably wouldn't bother with the interest  
9 rate.

10 But anything more than a month or  
11 two, there's a 12 percent coupon attached with  
12 that loan.

13 Q. So what was the principal on the CEB  
14 loan?

15 A. \$548,000.

16 Q. Is there any document anywhere that  
17 reflects the obligation of AHE to pay interest  
18 on the alleged CEB loan?

19 A. No.

20 Q. Is there any document anywhere that  
21 reflects an obligation of AHE to pay interest on  
22 any of the loans at issue, in either the  
23 Connecticut litigation, the Connecticut Federal  
24 Court litigation or the New York Federal Court  
25 litigation?

1 M. Belfonti

2 Q. What does that mean, Mr. --

3 A. Well, as the, as the, as we pay the  
4 loan each month, it was the priority to pay both  
5 Wachovia and Petra first.

6 Q. Was it understood that CEB could not  
7 demand repayment of the alleged CEB loan until  
8 the Wachovia loan had been paid off in full?

9 A. No, I don't, I don't know.

10 Q. When you say you don't know, you  
11 don't understand the question or you don't know  
12 the answer?

13 A. I don't know the answer.

14 Q. Who would know the answer to that?

15 A. I guess the lawyers. I don't know  
16 what the documents say.

17 Q. Which lawyers?

18 A. My lawyers.

19 Q. You didn't have an understanding one  
20 way or the other; is that correct?

21 A. At the time, no.

22 Q. At the time that the CEB loan was  
23 made, did you have an understanding as to  
24 whether it could be, whether CEB could demand  
25 repayment before the Wachovia -- I'm sorry,